



## Your Smartest Investment

College tuition is a moving target. Tuition costs have doubled (and in most cases tripled) over the lifetime of today's college freshmen. No matter how much you save today, it's impossible to know what tuition will cost tomorrow. But with Michigan Education Trust (MET), you don't need to know. MET allows parents, grandparents, businesses and others to lock in today's tuition rates by pre-purchasing undergraduate tuition. MET contracts are easy to set up, easy to use, and most important, an easy way to plan for college savings.

Fact is, a MET contract is one of the smartest investments you can make in a child. Here's how it works.

## The MET Program: A Summary

MET contracts can be purchased for any child residing in Michigan and applied at any Michigan public college or university, including 28 public community colleges. In addition, students may direct refund payments to out-of-state institutions (see page 4, "*MET Offers Many Choices*"). Since 1988, more than 83,000 MET contracts have been purchased, and today, almost 18,000 students are using their MET benefits at Michigan public colleges and universities, private colleges and out-of-state institutions.

## Three Plans, One Purpose

MET offers three different plans to help purchasers make the most of their tuition savings.

**The Full Benefits Plan** guarantees full in-state tuition and mandatory fees at any Michigan public university, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district) up to the number of credit hours required for a standard four-year baccalaureate degree (usually 120 semester credit hours).

Individuals may purchase in semester increments up to 8 semesters (4 years) of tuition.

**The Limited Benefits Plan** guarantees in-state tuition and mandatory fees at Michigan public universities, or tuition and mandatory fees at Michigan public community colleges (in-district or out-of-district), up to 105 percent of the weighted average tuition of all Michigan public four-year universities. If a student decides to attend a Michigan public college where tuition costs are higher than average, the number of credits allowed will be prorated based on the number of credit hours MET can purchase with 105 percent of the weighted average cost of Michigan public four-year universities. This plan might not cover the full cost of Michigan's most expensive institutions.

Students who attend a school where tuition is not fully covered under the Limited Benefits Plan will receive the number of credit hours MET can purchase at the time of college enrollment. For example, in 2007:

If a student with a four-year **Limited Benefits Plan** contract attends the University of Michigan-Ann Arbor, MET will pay for 92 credit hours.

If that student attends Michigan State University, Michigan Technological University, or Ferris State University, MET will pay for 112 credit hours.

Individuals may purchase in semester increments up to 8 semesters (4 years).

**The Community College Plan** provides in-district tuition and mandatory fees at Michigan public community colleges. Some areas of the state are not within a community college district. Students who attend a community college out of their district will be responsible to pay the difference between the out-of-district and in-district tuition cost.

Individuals may purchase in semester increments up to 4 semesters (2 years) under this contract.

If a beneficiary attends a Michigan independent (private) college or university, an out-of-state institution, or attends a college/university under a full tuition scholarship, refer to the paragraph entitled "*MET Offers Many Choices*" on page 4.





## MET Offers Many Choices

MET recognizes that not all students will attend a Michigan public college. If the beneficiary chooses to go to a Michigan independent (private) college or university or to an out-of-state college, MET does not provide full tuition at those institutions. Instead, MET pays a refund based on the plan chosen. (See Contract Section 7 and the *Termination Refund Provisions Chart* on pages 20 and 21.)

### Full Benefits Plan Refund:

1. When a student with a **Full Benefits Plan** contract attends a Michigan independent (private) college or university and directs the refund to the institution, MET will make refund payments based on the weighted average tuition of all Michigan public four-year universities.
2. If a student attends an out-of-state college and directs the refund to the institution, or a student receives a full-tuition scholarship, refund payments will be based on the average tuition of all Michigan public four-year universities.
3. Students choosing not to attend college will receive refund payments based on the Michigan public four-year university with the lowest tuition.

### Limited Benefits Plan Refund:

1. When a student with a **Limited Benefits Plan** contract attends a Michigan independent (private) college or university and directs the refund to the institution, MET will make refund payments based on the weighted average tuition of the Michigan public four-year universities whose tuition does not exceed 105 percent of the weighted average tuition.
2. Students choosing out-of-state colleges, those who receive full-tuition scholarships, and those who choose not to attend college will receive refund payments based on the Michigan public four-year university with the lowest tuition.



## Community College Plan Refund:

1. When a student with a **Community College Plan** contract attends a Michigan public university or a Michigan independent (private) college or university and directs the refund to the institution, MET will make refund payments based on the weighted average tuition of Michigan's public community colleges.
2. When a student attends an out-of-state college and directs the refund to the institution, or a student receives a full tuition scholarship, refund payments will be based on the average tuition of Michigan public community colleges.
3. Students not attending college will receive refund payments based on the Michigan public community college with the lowest tuition.

## Monthly Purchase Contracts Make MET More Affordable

MET contracts can be purchased on a monthly basis rather than in one lump sum. The purchaser of a monthly contract buys a percentage of educational benefits with every monthly payment. The percentage that each payment buys depends on the number of years over which the purchaser elects to make payments.

Depending on the age/grade of the child, monthly payments may be made over 4, 7, 10 or 15 years. (See Contract Section 3g.) The total amount paid through a monthly purchase contract is greater than a lump sum payment because monthly payments must be invested gradually and therefore earn less for MET over time than lump sums.

**Monthly Payment Options:** Monthly payments can be made by coupon book, payroll deduction or Automatic Clearing House (ACH).

**Monthly Payment Dates:** Depending on the date a monthly purchase contract is submitted, monthly payments will begin either February 25, May 25 or September 25. Subsequent monthly payments are due on the 25th of each month. The purchaser must pay a \$10.00 late fee for late payments, and must make the monthly payment with the applicable late fee within 60 days of the scheduled due date or he or she may not continue making monthly purchases.

**No Obligations:** A purchaser is NOT obligated to continue making monthly payments. If a purchaser elects to discontinue monthly payments, MET has no legal right to force payment. A purchaser who discontinues monthly payments will receive only those benefits for which timely monthly payments have been made. Those payments remain with MET until the beneficiary reaches age 18 or graduates from high school.

A purchaser who has stopped monthly payments may enroll to acquire additional benefits during a future enrollment period at the new cost. If the purchaser decides to pay the entire balance more than a year before the final payment is due, MET will provide the purchaser an early payment discount.





## MET Makes it Easy to Transfer Between Colleges or Universities

You may start at one institution and decide to finish at another. Transfers among all Michigan public institutions are permitted. (See Contract Section 2.)

With the **Full Benefits** and **Limited Benefits Plans**, beneficiaries may attend a Michigan public community college before attending a Michigan public university. If the beneficiary has four years of educational benefits and attends a community college for two years or less, the beneficiary will be entitled to the number of additional credit hours required to complete a four-year baccalaureate degree. This will apply if all credit hours at the community college do not transfer to the Michigan public university. This does not apply if the beneficiary has less than four years of educational benefits or transfers to a Michigan public university after attending more than two academic years at a Michigan public community college, unless the beneficiary receives an associate degree within two academic years. In those cases, the beneficiary will receive only the credit hours remaining under the contract.

## You Have Time to Decide

A beneficiary has 15 years from the beginning of the expected high school graduation year (academic year) specified in the contract to use all educational benefits. Failure to completely exercise the rights under the contract within 15 years will result in the closure of the contract and the refund of prepaid tuition less the value of educational benefits or refund previously paid by MET. (See Contract Sections 5 and 8.)

The beneficiary must notify MET when he or she is ready to begin college. A student handbook, which contains the forms and instructions for activating a MET contract, is sent to eligible beneficiaries in the spring of their senior year of high school. (See Contract Section 5.)

A beneficiary who advances through high school at an accelerated pace may use his or her educational benefits early. Documentation of the beneficiary's acceleration is required by MET.

## A MET Contract is Transferable to Family Members

Everyone's life is full of changes. After the beneficiary turns 18 years old, the contract may be transferred to an immediate family member (as defined in the contract) without any tax implications. However, if the original beneficiary has earned more than half the credit hours required for a four-year baccalaureate degree at a Michigan public university, any remaining benefits transferred must be used at a Michigan public institution or terminated for a refund payable to a higher education institution as defined in the contract. Termination by the new beneficiary for a refund payable to the refund designee is not allowed. To protect MET, the transfer will be subject to an additional contract payment if the new beneficiary is older than the original beneficiary and the new beneficiary was ineligible to purchase the contract in the year the contract was purchased. No payment of any type can be made to anyone, except MET, for transfer of a contract. (See Contract Section 6.)

## MET's Guarantee

**MET has covered the cost of higher education for thousands of students since the inception of the program.** Under the contract, MET guarantees payment of tuition and mandatory fees for all the educational benefits you buy at today's rate. With a MET contract, you'll never pay more for the tuition and fees you have purchased today at today's rates (with the Limited Benefits Plan contract, there may be additional costs at certain universities). MET guarantees in-state tuition at public four-year colleges and universities in Michigan or in-district

tuition at public community colleges in Michigan for the credit hours purchased under your contract.

It's important to understand the nature of this guarantee. MET is a public body created by Michigan's legislature\* and housed within the Michigan Department of Treasury. MET must operate and finance its activities only through its assets. To protect those assets from other uses by the state, only MET, and not the state, controls its assets. Today, those assets stand at \$997 million.

**You are protected.** To protect you and your beneficiary, an independent actuarial evaluation and financial audit are conducted each year so that future contract prices can be adjusted to ensure MET's ability to pay future benefits. If at some point MET's assets are not sufficient to meet those obligations, and if the legislature does not appropriate enough money to cover the difference, the money in the program will be returned to purchasers on a pro-rata basis. (See Contract Section 8 for further explanation.)

### **MET has never failed to honor a contract.**

Since MET's introduction in 1988, annual actuarial reviews have declared the Trust financially sound. When the actuarial evaluation and financial audit are completed, an annual report is prepared and made available to all MET purchasers as required by law.

Annual reports beginning with the 2000-2001 fiscal year are available at [www.SETwithMET.com](http://www.SETwithMET.com) or upon request to the MET office at **1-800-MET-4-KID** (1-800-638-4543).

*\*Public Act 316 of 1986.*







## Great Tax Advantages

This tax discussion is included for general information only. Consult a tax advisor for advice on how the purchaser/beneficiary might be specifically affected as a result of program participation.

### **State Income Tax Deduction:**

A purchaser may deduct the amount paid for a contract from taxable income when determining Michigan income tax for the year in which the contract is purchased.

### **Federal and State Income Tax Matters:**

MET is a qualified tuition program under Section 529 of the Internal Revenue Code. MET benefits used to pay college tuition and mandatory fees are exempt from federal and Michigan income taxes. If, however, a MET contract is terminated and the refund is not used to pay qualified higher education expenses, contract “earnings” (the value of the refund over the amount paid for the corresponding portion of the contract) could be subject to federal and Michigan income taxes and a 10% federal excise tax. The person receiving the refund will be responsible for those taxes.

The *Hope Scholarship Credit* allows a credit against federal income tax of up to \$1,650 each year for qualified tuition and fees paid for the first two years of a student’s post-secondary education. The *Lifetime Learning Credit* allows a credit against federal income tax of up to \$2,000 each year for tuition and fees paid on behalf of the taxpayer, the taxpayer’s spouse, or any dependent.

MET benefits may not be used for the same expenses for which a *Hope Scholarship* or *Lifetime Learning Credit* is claimed.

There is also a deduction for up to \$4,000 for qualified higher education tuition and fees available for federal income tax purposes. Subject to income limitations, the amount reflecting the cost of purchasing a MET contract, when used to pay tuition and fees, may qualify for the *Tuition and*

*Fees Deduction.* The *Tuition and Fees Deduction* can't be claimed for any student for which a *Hope Scholarship* or *Lifetime Learning Credit* is claimed in the same year.

You may purchase a MET contract and contribute to a *Coverdell Education Savings Account (ESA)* in the same year without penalty.

These descriptions of the *Hope Scholarship Credit*, *Lifetime Learning Credit*, *Tuition and Fees Deduction*, and *Coverdell ESA* are not exhaustive. You should consult with a tax advisor concerning specific questions on how the federal tax law may affect you.

### **Federal Gift Tax:**

A MET contract purchase constitutes a gift from the purchaser to the beneficiary, provided the beneficiary is not the purchaser or purchaser's spouse. That gift does not require payment of any federal tax until the purchaser has made lifetime gifts in excess of the corresponding unified credit amount. (At present, the lifetime gift amount is \$1,000,000 for an individual.) The purchaser may need to file a *United States Gift Tax Return (Form U.S. 709)* for the year the contract is purchased. A special election exists that allows the contributor to elect to prorate the entire taxable gift amount that exceeds the annual "present interest" gift tax exclusion limit, allowing the contributor to have the contribution treated as if made over a five-year period.

## **Low Administrative Costs**

Up to one percent of MET's total asset value can be used for program administration. However, for fiscal year 2007, less than one-third of one percent (0.3%) of the total assets were used for program administration.

The only administrative fees charged are a processing fee, a transfer fee, a termination fee (if terminated for a refund) and a late monthly payment fee. No other fees will be charged.

## **Good News for Financial Aid**

The purchase of a MET contract, like any other investment made in a child's name, will have an effect on the child's ability to receive various forms of financial aid. Currently, financial aid eligibility is based on a number of factors, including a family's size, income, assets and the age of the parents.

Prior to July 1, 2006, MET contracts were recognized as a "student resource" (scholarship) where the total value of the MET contract was counted in the federal analysis for need-based financial aid. Now, a MET contract is recognized as a "parental asset" instead of a "student resource" when the beneficiary applies for financial aid. This means that only 5.6% of the MET contract value will be counted in the federal analysis to determine the student's eligibility to receive need-based aid. Of the three major sources of financial aid—federal government, state government and colleges and universities—each has different rules regarding financial aid eligibility. Before deciding to purchase a MET contract, you might want to check with these entities regarding how it affects financial aid eligibility.





## Eligibility to Enter into a MET Contract

The purchaser and beneficiary must meet all the eligibility requirements to enter into a contract.

### Purchaser Eligibility Requirements:

- The purchaser must reside in the United States.
- MET contracts cannot be purchased by residents of Arizona, Illinois, New York, North Dakota, Ohio or Vermont due to those states' securities laws.
- For lump sum purchases, the purchaser must sign and submit the *MET Contract Signature Page (Form 3691)* and the total contract amount by mail to the MET office or submit in person at a Treasury office.
- You may enroll on-line and send the contract amount electronically, but the *Contract Signature Page* must still be printed and mailed to MET in order for your contract to be processed.
- For monthly purchase contracts, only the processing fee must be submitted with the *Contract Signature Page*. (See Contract Section 3.)

### Beneficiary Eligibility Requirements:

- The beneficiary must be a Michigan resident at the time of purchase.
- The beneficiary must be within the age or grade requirements provided on the price chart.



## Access to Contract Information

MET will protect private information. Contract information will be disclosed only to those persons listed on the contract as beneficiary, purchaser, or appointee. MET will only provide general program information to all other inquiries.

## Termination Refund Provisions

Use the chart on pages 20 and 21 to see the conditions under which refunds can be made. In accordance with the MET law, refund amounts are determined in the year the contract is terminated (as allowed by the beneficiary's expected academic year). Under the **Full** and **Limited Benefits Plan** contracts, the refund amounts do not change to reflect tuition increases after the first year the contract is terminated. Under the **Community College Plan** contract, the refund amounts may be adjusted when a student attends a college/university.

### MET Privacy Policy

MET collects non-public personal information about contract purchasers, appointees, and beneficiaries from the following sources:

- Information we receive from applications or other forms
- Information about your transactions with us.

We do not disclose any non-public personal information to anyone except companies that perform marketing or administrative services on our behalf, the Michigan Education Savings Program, or as required by law.

MET restricts access to your personal and account information to those employees who need to know that information to provide products or services to you. MET maintains physical, electronic, and procedural safeguards that comply with federal regulations to guard your non-public personal information.

## Refund Restrictions

Once a student earns more than half of the credit hours required for a four-year baccalaureate degree at a Michigan public four-year university, the balance of the contract cannot be terminated for a cash refund. You may, however, direct the refund to a Michigan private or out-of-state institution of higher education to pay tuition.

The right to request a refund may also be lost in instances of failure to use contractual educational benefits or receive a full refund within 15 years from the beginning of the academic year specified in the contract for starting college. (See Contract Section 8.)

## Impact on Medicaid Eligibility

Purchasing a MET contract could adversely affect your eligibility for federal and state health care assistance programs and, in particular, Medicaid long-term care assistance. When determining Medicaid eligibility, it is probable that Medicaid authorities will consider the MET contract to be the purchaser's "available" asset for up to 60 months after the contract is purchased.

## MET Covers Tuition Only

MET does not cover room, board, books, non-mandatory fees and other expenses.

